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The Return of Burns and Mills

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Dr. Arthur Burns, relied on for economic advice by President Ford during his first week in office, in three confidential Oval Office chats, has painted a bleakly realistic picture not faintly resembling the soothing fantasies of administration Pollyannas.

Burns, independent of the administration as chairman of the Federal Reserve Board, has minced no words with the new President. He warned that this country is moving toward financial collapse. Mr. Ford can prevent calamity, he said, but may have no more than 60 days in which to act.

Such blunt talk breaks what one administration policymaker derisively calls "the good news syndrome"—high government officials disguising a worsening economic malaise with deceptively rosy statements to both the public and the President. Even with Richard M. Nixon gone, the syndrome persists with Budget Director Roy Ash and, to a lesser extent, Treasury Secretary William Simon talking about sunlight around the corner, some five or six months ahead.

With his Cassandra prophecies unwelcome to a Watergate-obsessed President, Burns got nowhere near the Oval Office during Nixon's last year. It is, then, highly significant and reassuring that Mr. Ford has given so much time in these crowded transition days to Burns' bad news. "The most positive thing to come out of Washington during the first week was the relationship between Ford and Burns," one astute Wall Street observer told us.

Burns has long preached reduced federal spending and fervently supports Mr. Ford's promise of a balanced budget as the essential anti-inflationary weapon. But he privately conceded last week the difficulty in achieving the immediate \$10 billion cut he has proposed. Thus, Burns realizes that budget-cutting is not enough and is pushing new economic proposals—many of them contradicting dogmatic administration officials.

Proposals Burns would like Mr. Ford to embrace include business tax incentives to increase industrial capacity, fighting inflation by increasing supply and satisfying demand. Those economic analysts who view Burns as a stand-



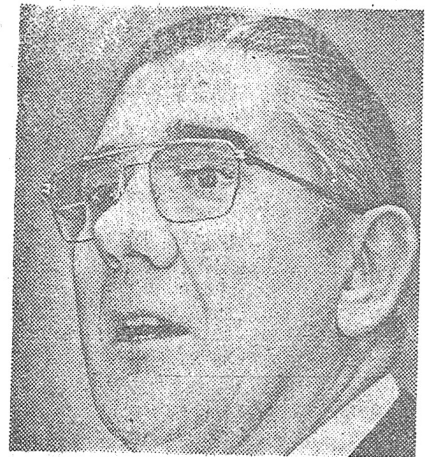
patter with a bias against capital investment are simply unfamiliar with his current thinking.

Beyond budget-cutting and tax incentives, Burns inclines toward schemes sure to be opposed by free enterprise stalwarts inside the administration. One is government rationing of credit. Another is a revived Cost of Living Council with the power to subpoena evidence and actually defer price and wage increases.

The Burns package, in sum, is a sharp departure from what had been the Nixon administration's intention to practice the "old-time religion"—keeping hands off the economy and cutting the budget—while playing Pollyanna. Moreover, besides drawing fire from the free enterprise dogmatists, it will be attacked by liberals and organized labor because of tax advantages for corporate business.

Indeed, Mr. Ford would have no chance to sell such tax incentives to the heavily Democratic Congress were it not for expected help from a figure who was the hairshirt for the previous two Presidents: Rep. Wilbur D. Mills of Arkansas, chairman of the House Ways and Means Committee. Though his power and prestige have declined a bit, Mills remains the single most formidable ally or antagonist a President could have in Congress.

Burns and Mills have slowly and quietly built a personal alliance, with late afternoon meetings in Mills' pri-



vate retreat on the second floor of the Capitol. They are in essential agreement on what must be done. Thus, if the President accepts Burns' proposals, he has a running start at getting Mills' help.

What's more, Mr. Ford can become the first President since John F. Kennedy to establish a close working relationship with Mills. Last winter when Mills wanted to discreetly advise Nixon to file amended personal tax returns, he sought out the administration official he trusted most: his old House colleague, Vice President Ford.

The new President and Mills have not yet conferred personally, and their only telephone conversation was concerned solely with health insurance legislation. But they will meet soon and under unusual circumstances which will demonstrate that Mr. Ford puts Mills in a very special category and will go out of his way to enlist him as an ally.

The renewed eminence of wise men Burns and Mills is a sign of the sudden change in Washington. Barred from the Oval Office by the Haldeman-Ehrlichman coup in the spring of 1969, Burns was still being ignored as of Aug. 8. Mills was not only ignored but until the end was the target of clandestine smears from the Nixon White House. That their wisdom and talent are being sought by President Ford is reason for hope despite the grim economic prognosis.